

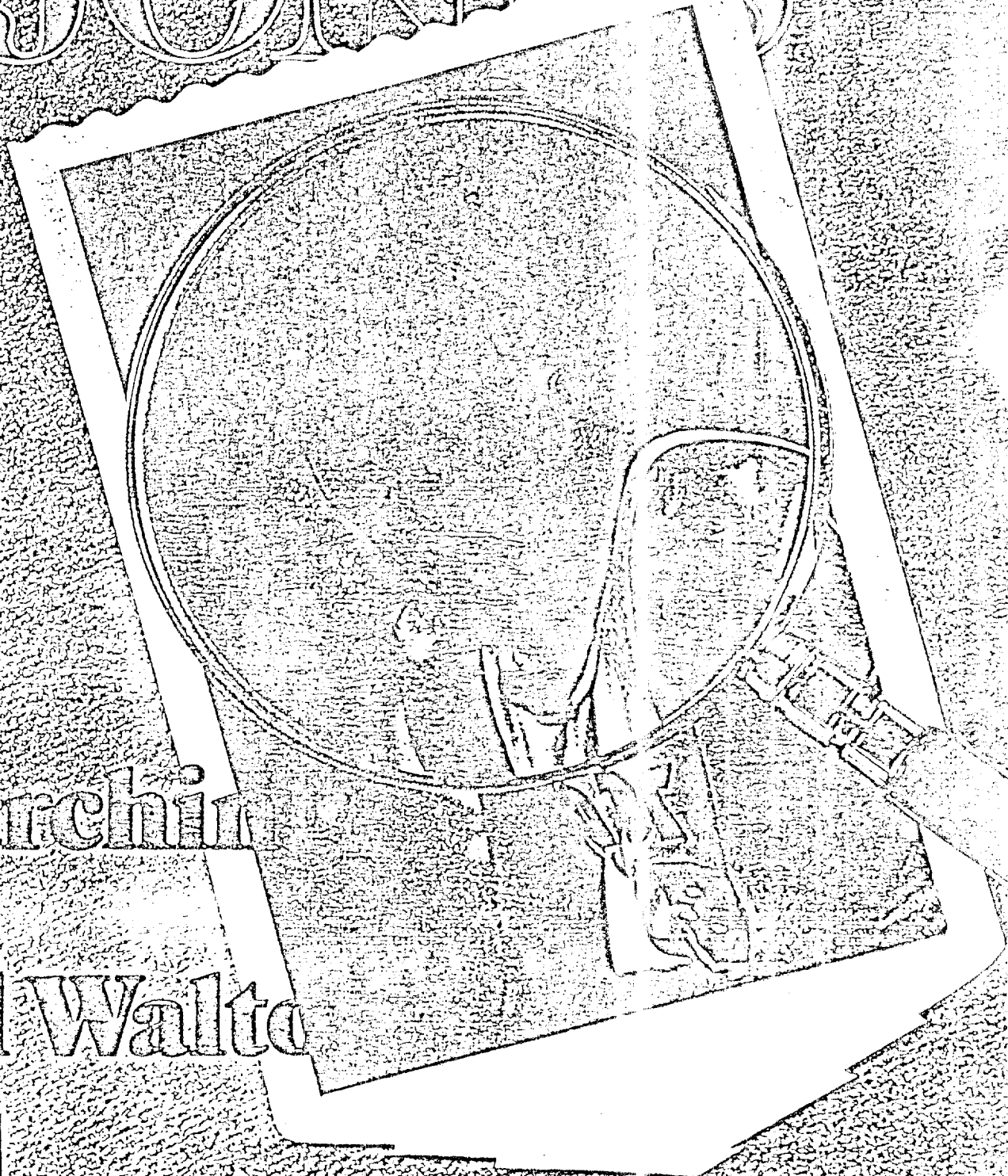
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# The Bechtel File

## How The Master Builders Protect Their Beachheads

By Mark Dowie

Illustrations by Lou Beach

*In the course of researching this article on the Bechtel Corporation, I met about a dozen reporters who had looked at the company over the years. Most of them found out very little of interest. One reporter told me, "Bechtel will never talk to you. You'll have to get it all on your own." He was right.*

*When I had compiled enough information on Bechtel to ask intelligent questions, I called its public-relations department to request an interview. I was routed to Tom Flynn, whose name I recognized as the crack reporter who covered Vietnam for the Oakland Tribune. Flynn returned from the war to take a job as press secretary to San Francisco's Mayor Joseph Alioto. At the time Alioto was beleaguered by charges of Mafia involvement, and it was while working for him that Flynn learned, in his own words, "how to stonewall."*

*I met Flynn once, but he asked all the questions: Whom was I writing for? With what angle? What questions did I have for company officials? After that, Tom Flynn promised to meet with me again. Three separate appointments were postponed for various reasons. The last postponement turned out to be a cancellation.*

*"We will not cooperate," Flynn announced through tight lips.*

*"You mean no press releases, no brochures, no interviews? You're stonewalling us."*

*"That's right."*

*And that's the way it has been with Bechtel. This story is based mostly on documents, sources outside the Bechtel Corporation itself and interviews with nervous Bechtel employees who talked only after I assured them total and permanent anonymity. I was surprised how little they knew about their company—even some who had worked there for many years. The stone walls are not just around Bechtel. They are inside the company, too.*

TODAY, Jubail is a sleepy little fishing village on the Persian Gulf. Sixteen years from now it will be a major industrial city the size of Toledo, Ohio, with oil refineries, steel mills, a deep-water port, hotels, hospitals, an international airport, several power plants and the world's largest desalinization complex. This mammoth engineering feat is at the heart of Saudi Arabia's plan to transform itself from a nation of desert nomads into a major industrial state. Jubail is far and away the largest single construction project in history. The entire city is being built by a secretive family-owned business in San Francisco whose name is familiar to prime ministers and presidents around the world but is unknown to most Americans: the Bechtel Corporation.

Bechtel would be important if for no other reason than its sheer size. If privately held firms were listed among the

Fortune 500, Bechtel would rank about 25th—bigger than Coca-Cola, Lockheed or American Motors. Bechtel, however, is far more than just another large corporation. It is an empire that hires its executives right out of the President's Cabinet at huge salary increases, receives billion-dollar government contracts, maintains close ties with the powerful elites of most major countries and harbors the secrets of uranium enrichment.

If Bechtel manufactured musical instruments or beer, its complete lack of public accountability would not be so alarming. But a company that has designed or built almost half of our nuclear power plants, traded technological information with the Soviet Union and written three major sections of the Ford Administration's energy plan must, in the words of one of its own top executives, "be able to stand the light of day." Yet not only does the company refuse to talk to reporters; as a privately-owned firm, it does not even publish an annual report. With this article, then, we're publishing that report for Bechtel—and we hope this will be just the beginning of a process of public inquiry into the effects this corporation has had on our lives and our environment.

Few unnatural forces have altered the face of this planet more than the Bechtel Corporation. Following its terse slogan, "Bechtel Builds," the company has un-

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dertaken as projects the world's first nuclear power plant (Arco Idaho, 1951), the Hoover Dam, the San Francisco Bay Bridge, the Alaska Pipeline, the Washington, D.C., Metro, the San Francisco Bay Area Rapid Transit system and the 1,100-mile Trans-Arabian Pipeline. Bechtel has built the world's tallest earth-filled dam (Swift Dam in Oregon), Central America's first oil refinery (in Panama), the biggest copper complex in the world (Bougainville, Papua New Guinea), the first and biggest coal-slurry pipelines, the planet's largest hydroelectric project (Labrador) and this country's largest nuclear power plant (San Onofre, California). With one major construction project, Bechtel doubled the energy output of South Korea.

Started by an immigrant muleskinner named Warren "Dad" Bechtel in 1898, this "little family business" has grown to be the largest engineering and construction company in the world. All three of Dad's sons, Warren, Steve and Ken, have worked with the company over the years; but during the '30s the gregarious and resolute Steve emerged as the leader of the three brothers and, at 77, remains the senior director of the Bechtel domain. Ken and Warren both died recently. Steve's 53-year-old son, Stephen Jr., who, in contrast to his father, is highly educated, reserved and calculating, is now chief executive officer, a position he assumed at 35 after "working his way up through the ranks" in a short 13 years after graduating from the Stanford business school.

Steve Sr. is now one of the five richest men in the United States, with personal wealth exceeding \$700 million. He and Steve Jr. own and control about 40 percent of the company's common stock and an undisclosed percentage of the preferred stock, and both have multi-million-dollar investments in land and other corporations. When old Steve dies he will most likely pass most of his wealth on to his son, making him the family's first billionaire. Financial experts believe that only one other living American—oil-tanker tycoon Daniel Ludwig—is worth a billion dollars. When Ludwig dies, Steve Bechtel, Jr., stands a good chance of becoming the wealthiest man in America.

#### A CONFIDENTIAL MEMO

To build the city of Jubail, billions of cubic yards of earth and sand must first be moved—in an enterprise reminiscent

of the company's humble beginnings, when Dad Bechtel leased his mule team to grade a railbed through Oklahoma Indian territory. Dad later sold his mules and made construction history by being the first person to use a steam shovel in road construction.

Today, teams of another sort—hundreds of architects, engineers and computer specialists—travel back and forth from San Francisco to Jubail, drafting a totally planned community. They bring to the project a myriad of closely held secrets developed, traded or brought to the company in the brains and files of more than 1,000 scientists, raided from competitors and foreign countries. (Twenty-five percent of Bechtel's domestic employees are registered aliens.)

When Bechtel is ready to begin building Saudi Arabia's new city, 42,000 laborers will move into a temporary city that Bechtel will construct before beginning Jubail. Most of them will travel thousands of miles from countries like Korea, the Philippines, India, Taiwan and Algeria, where wages are lower than in oil-rich Saudi Arabia.

Although Bechtel's original price tag for Jubail was \$9 billion, estimates in the engineering press began running as high as \$20 billion shortly after the contract was signed. A recent *New York Times* article alluded to rumored adjustments running as high as \$45 billion. Having been badly burned on one or two fixed-price jobs in the past, Bechtel will sign only cost-plus contracts on projects like Jubail. So the total bill will not be seen until the key is turned and the city is running.

If the final prices of the San Francisco Bay Area Rapid Transit system, the Alaska Pipeline and the Washington Metro are fair examples of Bechtel's recent work, the cost of building Jubail should come in just under \$55 billion. That's about three percent of this year's U.S. Gross National Product.

Jubail is Bechtel's largest current project, but far from its only one. More than 26,000 full-time employees in about 21 permanent offices and 30-odd subsidiaries are busy at work on elaborate oil and gas pipelines in Indonesia, a pet-food plant in Missouri, a trade center in Moscow and a copper complex in South Africa. Still in the blueprint stage is a Bechtel plan for a nuclear-powered submarine that will extract oil directly from the ocean floor and pump it ashore.



As if it didn't have enough to do, Bechtel has salesmen out hunting for new business. Unlike other construction companies, however, which seek out single-item projects—a \$2 billion nuclear plant here, a \$70 million shopping center there—Bechtel has taken to proposing the building of entire cities, like Jubail, or the installation of industrial infrastructures for entire nations.

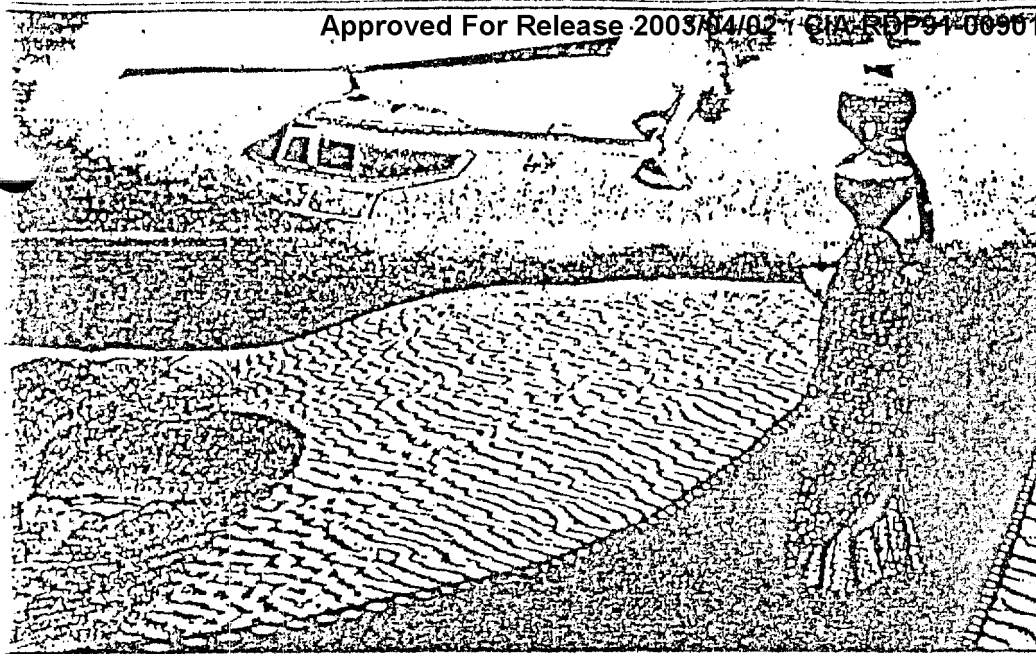
Jubail is only a sample of what the company has in store for countries like Nigeria, another oil-rich country that today stands on the brink of industrialization. "Using criteria starting with oil," begins a March 4, 1977, company memo on "International Job Strategy," "we have selected nine countries, including four where Bechtel could exploit good current positioning and five where we suggest business-development positioning should begin or be intensified. Heading the list of the latter five is Nigeria." (The others: Iraq, Malaysia, Algeria and Indonesia.)

This confidential memo goes on to say that Bechtel has learned from U.S. foreign-service intelligence sources (more on that point shortly) that Nigeria is planning to spend \$50 billion on industrial development. The Bechtel memo then touches on Nigeria's enormous potential for construction in "irrigation, power, hydrocarbon installations, airports and oil refineries."

Bechtel's political clout in Nigeria is underlined in the memo by its reference to the ease with which a meeting can be arranged with Lieutenant General Oba-



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Casey testified at McCone's confirmation hearing: "I daresay that at no time in the history of American business, whether in wartime or in peacetime, have so few men made so much money with so little risk and all at the expense of taxpayers, not only of this generation but of generations to come."

sanjo, chief of state, whom Bechtel's unidentified intelligence sources describe as "a very good man, competent and honest." Such intelligence is particularly vital to Steve Sr., who expounds eloquently and frequently on the virtues of honesty and competence. In fact, if he really trusts his sources, he will probably fly into Lagos after contract negotiations are completed and ink the deal with Obasanjo himself. Or he may send his energetic son, Steve Jr., who circles the globe more than ten times a year visiting Bechtel projects and signing contracts.

"There are great problems working in Nigeria," the memo concludes, "but profits are excellent, perhaps better—if care is taken in contract negotiations and appropriate positioning—than even in the Middle East."

#### YOU SCRATCH MY BACK

Although Bechtel seems like a true international corporation—with a polyglot work force, with most of its permanent offices overseas and with more than 50 percent of its revenues from foreign projects—it is very American. Despite valued contracts with the General Obasanjos of the world, the company's rise to power has been helped most by a key friend in Washington.

During its first 40 years in business Bechtel stayed in the United States, building mostly in the Western states. Railroads, irrigation systems, natural-gas lines and earth-filled dams all led to the first big break in 1931, when Dad

Bechtel was asked to join a consortium called Six Companies that formed to build the Hoover Dam. Later voted president of the consortium, Dad committed the best and brightest of his growing company to work on the dam. Dad Bechtel died suddenly in 1933 in the Soviet Union while inspecting a dam similar to Hoover, and the three Bechtel sons finished the Hoover Dam. Left with an established membership in the construction fraternity and enough retained earnings to expand rapidly into new industries, Bechtel began to look beyond the American market. And expand it did, diversifying into power plants, mines, refineries and shipbuilding. In 1940 it accepted its first overseas challenge—the Mene Grande Pipeline in Venezuela.

When the Hoover Dam was being planned, an aggressive young steel salesman named John McCone came to call on Bechtel. Since the company needed literally miles of reinforcement bars for embedding in the dam's pre-stressed concrete, Bechtel was a natural customer for McCone's employer, Consolidated Steel. The cool, handsome, gray-eyed McCone was probably assigned the call because his old University of California pal Steve Bechtel was in charge of procurement for the project. McCone graduated from the U.C. engineering school in 1922, but Steve had dropped out earlier because "Dad needed me in the business." McCone and Bechtel rewarmed their old friendship and, after the dam was finished,

formed a business partnership called Bechtel-McCone, of which McCone became president.

Although Bechtel-McCone was supposedly formed to build refineries, by 1940 the United States was tooling up for war, and McCone consequently landed contracts to build Liberty ships and tankers for the Pacific theater and an aircraft-modification center in Alabama. The company then formed a syndicate with major competitors Kaiser Industries, Brown and Root, and Parsons to build enormous shipyards in Los Angeles and in Sausalito, a town across the bay from San Francisco. McCone ran the Calship yards in Los Angeles, and Steve's younger brother Ken ran Marinship in Sausalito. Together they collected the bill for almost 600 ships built for the war effort.

After the war McCone left the company and went where so many government contractors have gone since: to the Defense Department. At his Senate confirmation hearing, General Accounting Office official Ralph Casey entered evidence that McCone and his associates had made a \$44 million profit from Calship on a personal investment of \$100,000.

"I daresay," Casey testified, "that at no time in the history of American business, whether in wartime or in peacetime, have so few men made so much money with so little risk and all at the expense of the taxpayers, not only of this generation but of generations to come."

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McCone calmly denied being a war profiteer, pointing out that an additional \$7 million in loans and bank credit had been invested in Calship. This absurd logic satisfied the Senate, and McCone was confirmed as Undersecretary of Defense. There, he became the center of a major conflict-of-interest scandal by giving out multi-million-dollar government contracts to companies like Standard Oil and Kaiser Industries, in which he retained large investments.

Although the Bechtel-McCone "corporation" was dissolved, the unofficial Bechtel-McCone partnership remained intact. As John McCone rose through the Washington bureaucracy—from his Defense job to that of chairman of the Atomic Energy Commission and ultimately to the post of director of the Central Intelligence Agency—he never forgot his old friend Steve Bechtel.

McCone, as AEC chairman, helped swing to Bechtel the contract to build the country's first commercial nuclear power plant in Dresden, Illinois. When the plant was dedicated on October 12, 1959, McCone showed up to praise it as "the largest, most efficient, most advanced" power plant in the world.

Although the Dresden facility has since been plagued with serious operational problems, it gave Bechtel an enormous head start in the nuclear business. Since 1959, Bechtel has participated as either engineer or builder or both in the completion of almost half of the United States' 68 commercial nuclear plants—thanks primarily to John McCone.

### ... AND I'LL SCRATCH YOURS

High-level back-scratching is a mutual affair. John McCone was appointed CIA director in the fall of 1961, at a time when the agency was expanding its arrangements with American corporations to provide cover to CIA operatives and to share in intelligence gathering, particularly in countries like Iran, Algeria and Libya, where Bechtel was constructing, designing or pursuing large projects.

In every respect, Bechtel is a CIA director's dream come true:

- The company's chief executive is an old and trusted friend. (Recent evidence indicates that the CIA prefers to deal from the top to the top in its relationships with corporations.)

- It is privately held and already secretive in style.

- The company operates in more than 100 countries.

- Many of its projects are out in the "boonies," where revolutionary activity often begins—and where it's usually hard to find cover for agents.

- The company moves large equipment and material around the world. ("One 30-foot section of large pipe will hold a lot of rifles," one Bechtel employee, who spent four years in Libya, told me.)

- Since its assets are not fixed in place, as are mines and factories, Bechtel is mobile and can leave projects quickly if things get too hot. (Company personnel don't often leave, though, electing instead to hole up in a hotel until the shooting stops and a new strongman emerges with whom they can negotiate a new contract.)

- The potential information exchange is mutually beneficial—industrial intelligence (the background for something like Bechtel's Nigeria plant) for political intelligence (the kind of information the CIA needed to successfully engineer coups in places like Iran and Guatemala).

Two organizations as security conscious as Bechtel and the CIA don't leave many visible traces of their relationship. And Bechtel employees are sworn to secrecy, both when the company hires them and when they leave. But the flow of men back and forth between the two institutions indicates more than mere coincidence.

Take John Lowrey Simpson, for example. His sudden employment as chair of Bechtel's high-level finance committee in 1952 surprised the company's old-timers. Bechtel has a strong tradition of internal promotion, and Simpson, whose prior job was as executive vice president of the obscure Schroder Bank in New York, seemed to come out of nowhere. What the old-timers didn't realize, though, was that Simpson had strong ties with the Office of Strategic Services through his friendship with Allen Dulles (a founding director of Schroder Bank as well as of the OSS), and that Simpson, who had access to military intelligence during the war, served as a Bechtel adviser during those years. After the war the OSS, of course, became the CIA, and the Schroder Bank, of which Simpson remained a director after joining Bechtel, was recently discovered to have been a bank for the CIA director's controversial dis-

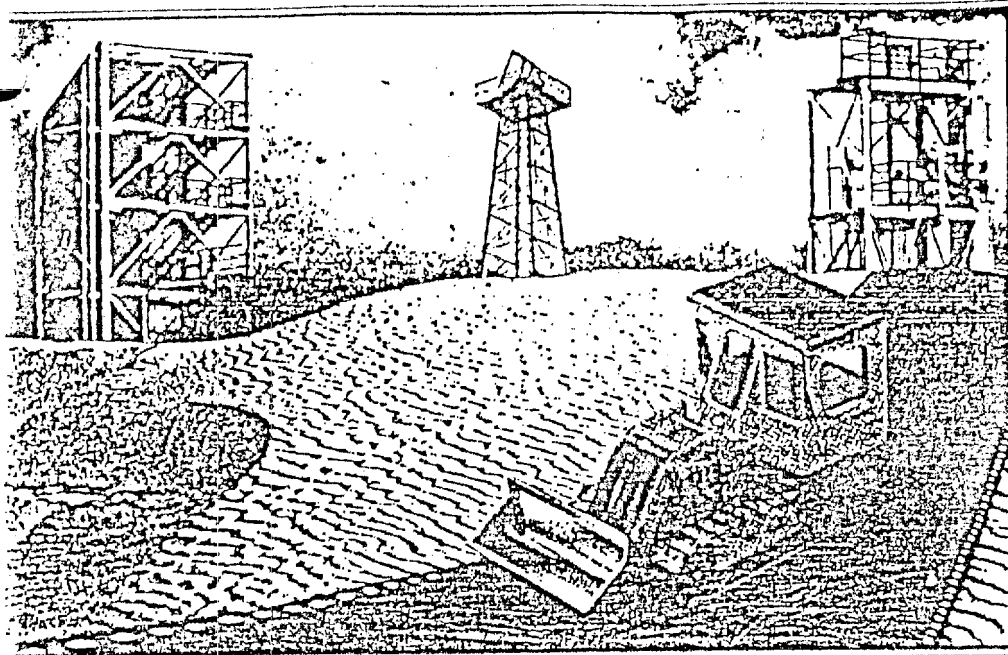
cretionary fund.

Then there is C. Stribling Snodgrass (whose name is *not* an alias), who went the other way. As vice president at Bechtel, Snodgrass masterminded the company's near-monopolization of Saudi Arabian heavy construction, primarily through cordial relationships with influential State Department officials who sold Bechtel to King Faisal and his predecessor, Ibn Saud. Snodgrass retired early from his Bechtel vice presidency and set up a small energy-consulting firm called LSG Associates. While Snodgrass was alive, LSG Associates was one of many CIA proprietaries run out of the Washington law offices of Burwell, Hansen and Manley. Under the LSG cover, Snodgrass' assignment undoubtedly was to collect economic intelligence and pass it on to American companies that, like Bechtel, were in a position to profit from it. The companies in return would furnish voluminous political information on the countries in which they operated to Snodgrass, who would pass it on to the CIA.

Bechtel's links with the CIA through men like Simpson and Snodgrass gave the company an invaluable boost in its dealings with the Third World. Look, for instance, at Bechtel's operations in Libya. Few American companies were willing to operate in Libya during the volatile 1960s; yet, with the Suez Canal closed, Libyan oil was vital to the West.

In keeping with Steve Sr.'s proud claim: "We will build anything, anywhere, anytime," Bechtel constructed a





Bechtel is in many respects a CIA director's dream. The company's chief is an old friend. It operates in more than 100 countries. The company moves large equipment around the world. ("One 30-foot section of large pipe will hold a lot of rifles," says one Bechtel employee who worked in Libya.)

pipeline from the Sahara Desert to the Mediterranean coast for Occidental Petroleum (estimated cost \$43 million, final cost \$147 million). Occidental, and other American oil companies, paid Bechtel an 18-percent handling charge to manage its affairs rather than send its own executives into Libya's explosive political climate. Occidental even arranged for Bechtel to conduct "payments" to Libyan officials so that it could continue working in the country. (A Bechtel lawyer recently warned us that the company would sue us if we used the word "bribe.")

Bechtel was able to stay in Libya without serious consequences by forming a joint venture with a corrupt ex-premier named Mustafa Ben Halim. Although Ben Halim was held in high disgrace by most Libyans, Bechtel was advised by the CIA that he was the man it would have to work with to build the pipeline.

In the Libyan case, as always, Bechtel's correspondence with the CIA went through the top. A company officer in Libya wrote to Jerome Komes, the pipeline project's home-office sponsor, asking whether or not he should deal with Ben Halim. Komes wrote a memo to president Steve Jr., asking him to ask his father to check with Undersecretary of State C. Douglas Dillon and Bechtel CIA sources for advice on Ben Halim. We have no record of what the actual advice was: it appears to have come verbally. But the results are clear. Ben Halim was paid a "month not to obstruct the project."

And in return for the "free advice," Bechtel provided cover for at least two CIA agents operating in Libya between 1965 and 1969.

#### SECRECY PAYS

Besides helping its relationship with the CIA, secrecy has been a continuing theme for the Bechtel family. The company, like most of the other great American empires, could have gone public years ago. It undoubtedly could have had its stock listed on the New York Stock Exchange and would have done well in the capital market. New York analysts estimate that Bechtel shares would trade publicly at about nine times the current value now arbitrarily placed on each tightly held share by the family-dominated stock-evaluation committee.

But the Bechtel family has deliberately exchanged higher stock prices for greater advantages. They are happy not to be listed with the Fortune 500, or indexed in Standard and Poor's or registered with the Securities and Exchange Commission. In fact, if they had their way they would be known only by their customers, a few key Cabinet members and perhaps a dozen bankers. They rarely advertise, and when they do it's usually in trade publications.

What appears to an outsider as an almost paranoiac preoccupation with privacy is instead a strategic business policy with several motives:

does not have to file lengthy and revealing financial reports with the government and is thus correspondingly immune from inquiring federal investigators. Unlike publicly traded companies like Lockheed and Ford, Bechtel has not been required to disclose any overseas bribes, slush funds, or illegal payments. (One member of Congress is currently drafting a bill that would change this situation. He plans to use Bechtel as a prime argument for his legislation.)

- All Bechtel shareholders (about 56 at last count) are either company vice presidents or their wives (wives' shares are held in trust by their husbands, who retain voting power). Each shareholder agrees to sell his stock back when he leaves the company or dies, at a price determined by the owners of 66 percent of the company's stock. A Bechtel shareholder thus has less power than a shareholder has in, say, General Motors. If a Bechtel shareholder proposed a resolution calling for termination of company business with South Africa, as a Ford shareholder did at the company's 1977 annual meeting, he could be fired by the family and forced to sell his stock back to them at a price determined behind closed doors by the Bechtel family and two or three other shareholders.

- Most foreign governments and corporations would rather deal with a U.S. corporation than a government agency, and particularly with one that is immune from government surveillance. Bechtel is able to offer this feature to

subject to SEC regulation. So Bechtel



overseas customers. The Soviet Union, for instance, recently signed a technological-exchange agreement with Bechtel (a fact learned not from Bechtel's tight-lipped vice chairman, Jerome Komes, who refused to comment, but from the Soviet news agency, Tass).

### THE McCONE OF THE '70s

Hiring people in high places to deal with others in high places is nothing new for American corporations. The revolving door between big business and government is well documented. But Bechtel seems to hire higher. When it needs financial connections it hires the Secretary of the Treasury. When it needs nuclear technology, it hires the general manager of the Atomic Energy Commission. When it needs international clout it hires an undersecretary of state. And when it needs expertise to run the bureaucracy it is becoming it hires the secretary of Health, Education and Welfare.

Names like George Shultz, Caspar Weinberger, Cordell Hull, Rear Admiral John Dillon and William Hollingsworth (former general manager of the AEC) are found sprinkled through the Bechtel directory. A look at one of Bechtel's strategic hires, George Shultz, reveals the advantages of this business practice. If John McCone was the key Bechtel-Washington link of the '40s, '50s and '60s, George Shultz clearly plays that role for the '70s.

While he was Secretary of Labor, director of the Office of Management and the Budget (OMB) and Secretary of the Treasury, Shultz played golf with Steve Bechtel, Jr., whenever Steve went to Washington. Steve Jr. was impressed with Shultz's mind and background. There were also a few minor entries on his résumé that made Shultz even more attractive to Bechtel—former chair of the Council of Economic Advisers, member of the President's Foreign Intelligence Advisory Board and member of the Cabinet Committees on Federal Credit and Construction.

Furthermore, as Secretary of the Treasury, Shultz had traveled to Russia in April of 1973 to arrange U.S. credit for a gigantic natural-gas project Bechtel was interested in. And as OMB director he pushed for the privatization of uranium enrichment, a Nixon-inspired boondoggle that eventually could have given Bechtel a world-wide monopoly on the sale of nuclear fuel.

Since leaving the Treasury Department for Bechtel, Shultz has joined the boards of Morgan Guaranty, J.P. Morgan Company, the International Monetary Fund, the World Bank, the Inter-American Development Bank and the Asia Development Bank. These connections, combined with the occupation of other bank boards by members of the Bechtel family and other Bechtel directors (Crocker National, Wells Fargo), cover the financial markets fairly well. Today Bechtel is in a position to channel long- or short-term finance capital anywhere in the world.

Bechtel's access to capital has placed the company in a unique bargaining position. If it can assure a Third World country of U.S. financing of a major project, it doesn't have to worry much about competition. Since most developing nations can't afford to pay out billions for roads, power plants, ports or refineries, U.S. financing is the *sine qua non* of development. Bechtel arranges the financing, Bechtel gets the job. And because Bechtel is never the *direct* recipient of World Bank loans or IMF credit, George Shultz can use his influence without fearing the kind of conflict-of-interest allegations that plagued John McCone during his years in government.

### THE POLITICS OF PROFIT

Although the Bechtels and most of their executives are conservative Republicans domestically, internationally they seem almost apolitical. Unlike many of the company's competitors, who patriotically refuse to work in hostile nations, Bechtel will work for anyone who has borrowed or can borrow large sums of money: socialists, tribal sheiks, fascist dictators and even alleged enemies of the United States. Bechtel, for example, was the first American company to resume doing business in Egypt after 1956, when John Foster Dulles forbade Americans to work on the Aswan Dam.

Beyond American shores, Bechtel's only publicly expressed concern is for the safety of its employees. Its unofficial ideology is that technology is apolitical and brings the progress and well-being that inevitably lead to democracy and freedom. The Bechtel philosophy, of course, ignores the fact that repressive military dictatorships arose in Iran, Indonesia, Brazil and Saudi Arabia following the introduction of centralized

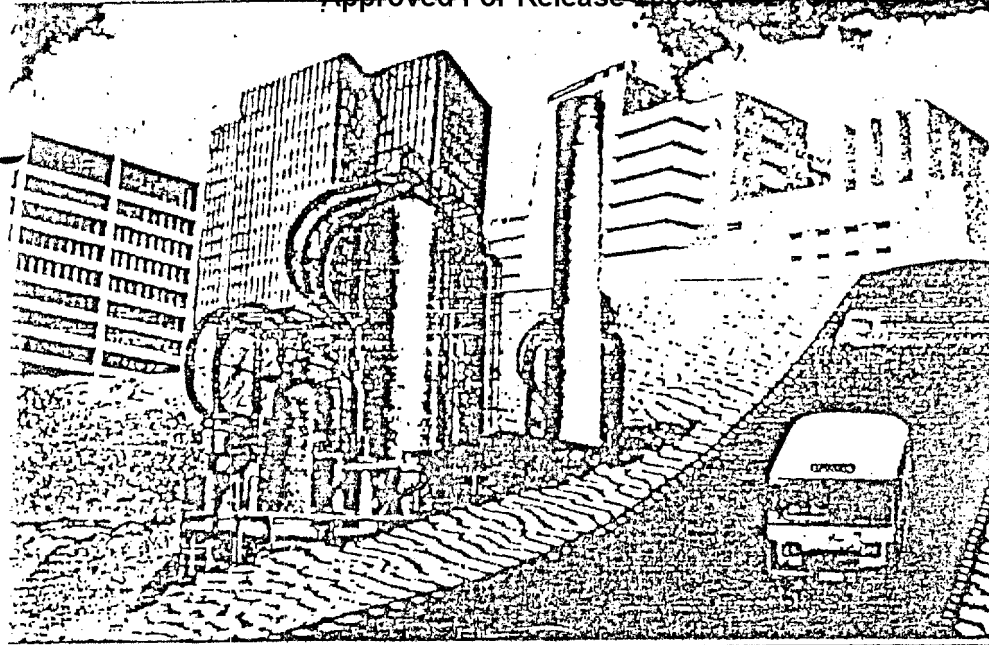


technology into those societies. Even when, as in the case of Indonesia, the technology is supposedly owned by "the people," a new elite class of technocrats, middlemen and business leaders—many of them trained by Bechtel—take control of the government. One of their first moves is often to apply for U.S. military aid to protect their new technology and institutions—not from foreign invasion but from peasants, poor city dwellers and students, who can't always discern the beneficial effects of industrial development. All too often the result has been bloodshed, although Bechtel has usually received enough advance notice from the CIA to keep clear of conflict.

Perhaps the best example of Bechtel's apolitical stance is its operations in Algeria. Even though in the '60s Bechtel's middle management, whose anti-Communist leanings superseded their profit motives, offered considerable resistance to working in Algeria, the family's "apolitical" policies prevailed, and in 1972 the company signed a \$167-million contract to build a natural-gas pipeline for Sonatrach, Algeria's state-owned oil and gas complex.

Through close ties with the Export Import Bank, Bechtel was able to negotiate a \$67-million line of credit for the project—no mean trick, given the bank's statutory position on lending to the "Communist bloc" and to countries that harbor exiled terrorists.

At a committee hearing, Congress member Les Aspin protested the loan, not because Algeria harbored the likes



Bechtel will work for anyone who has or can borrow large sums of money. Nowhere is this more evident than in Bechtel's eagerness to participate in the reconstruction of Vietnam, a country whose destruction the Bechtel family supported through generous gifts to Richard Nixon's campaigns.

of Eldridge Cleaver, but because Steve Sr. was on the Eximbank's powerful advisory board. The bank simply denied any conflict of interest and the loan went through. Bechtel has since then stayed in Algeria, where it has also built a large liquefied-natural-gas facility and is proposing many new projects. Socialist Algeria is one of the top nine countries in Bechtel's previously mentioned "International Job Strategy" plan.

Bechtel's apolitical stance is also evident in its eagerness to participate in the reconstruction of Vietnam, a country whose destruction the family supported through generous gifts to Richard Nixon's election campaigns.

After the war Bechtel hired South Vietnam's exiled Minister of Industry Khuong Huu Dieu. Dieu, who was a close friend of Ellsworth Bunker when he was ambassador to South Vietnam, had discovered oil off the Vietnamese coast.

Using Bunker's friendship with Dieu as entrée, Bechtel's Washington consultant Parker Hart (retired ambassador to Saudi Arabia) met with Bunker in March of last year, ostensibly to discuss the forthcoming American (Mansfield-Woodcock) mission to Vietnam. Although the alleged purpose of the mission was to seek an accounting of Americans missing in action, Hart's memo to San Francisco reporting the meeting suggests that Bechtel had other interests. "Bunker felt that Bechtel's opportunities in Vietnam might depend on the outcome of the American special

mission.... Bunker stated that he would keep me advised of the results and offered to be of any help he could."

#### NUCLEAR POWER ... AND BEYOND

Bechtel saw the profits in nuclear power early on and quickly moved to become a dominant company in the field. After John McCone gave Bechtel its nuclear head start in the '50s, Bechtel hired W. Kenneth Davis, head of reactor development at the AEC, along with a handful of his top aides. They began to push nuclear power as the salvation of the modern world. Bechtel pumped money into campaigns for this "clean and safe" source of energy, helped finance the opposition to anti-nuclear referenda and began building nuclear plants all over the world.

However, all has not gone smoothly for Bechtel's nuclear business in recent years. The directors of Consumers Power in Michigan sued the company for \$300 million in 1974, when the Palisades nuclear generator broke down shortly after opening. The suit was filed when a number of metal steam-generator tubes corroded, allowing radioactive water to leak into the steam-generating system. Consumers Power claimed that Bechtel had not fulfilled its "duty and obligation to warn the company about potential operating problems and to prevent errors in design and manufacture of equipment and components." Bechtel recently settled with Consumers Power for \$14 million

in cash and a promise to fix the problem.

Another Bechtel nuclear trouble spot has been its Tarapur reactor in India, which has been plagued with breakdowns, radioactivity leaks and unexplained deaths among former employees. An AEC inspector called the plant "a prime candidate for nuclear disaster." The late Paul Jacobs first brought Tarapur to public attention in a *Mother Jones* article in 1976.

Such problems—and Bechtel is not the only firm in the nuclear field experiencing them—have put a damper on Bechtel's nuclear business in the last few years. But because the company doesn't own the plants it builds, it doesn't have to worry about being saddled with billions of dollars' worth of obsolete and dangerous machinery. Leaving that problem to its customers, Bechtel has quietly changed directions and set its sights where the smart new money in the energy business is: on coal.

Bechtel is "quick on its feet," one engineer from the company's Scientific Development Department told me. Bechtel has five-year plans, and the engineer was discussing the one that covers 1974 to 1979. It was in this confidential plan that the company spelled out its intention to increase its investment in coal technology while cutting back on nuclear. "Bechtel sometimes likes to pioneer a new construction technology," he explained, "and get as much profit as it can out of it while no one else is around. Then when the competition gets stiff, as it is in nuclear power, it

moves on to something else.

Once Bechtel decided to move into coal, its first step was to join a consortium with Newmont Mining Company, Boeing and Bechtel's rival construction firm, the Fluor Corporation, to buy Peabody Coal Company from Kennecott Copper for \$1.2 billion. Peabody owns by far the largest coal reserves in the United States.

The second step was to join with Lehman Brothers, the New York investment banking firm, and the Kansas Nebraska Gas company to form something called Energy Transport Systems, Inc. (ETSI). Bechtel initiated the joint venture, bought 40 percent of ETSI and made its own vice chairman, Jerome Komes, the chairman of ETSI.

After Bechtel pioneered slurry systems—pipelines that pump large quantities of pulverized ore or coal suspended in water from one point to another—ETSI proposed to build thousands of miles of coal-slurry pipelines criss-crossing the United States. To the present day, Bechtel has built 70 percent of the world's slurry lines—pipelines that service copper mines in Venezuela and Indonesia and carry coal from Black Mesa, Arizona, to the California border.

The slurry project that ETSI/Bechtel is now pushing hardest for is a 1,000-mile line that will move 25 million tons of coal a year from the huge strip-mining area along Wyoming's Powder River to White Bluffs, Arkansas, where Arkansas Power and Light wants to build a large coal-fired generator. ETSI estimates that the pipeline will cost \$750 million, but Bechtel's recent history of cost overruns suggests it could cost twice that.

With formidable opposition from farmers (who fear dust bowls and cattle deaths from the loss of scarce groundwater), environmentalists (who claim that water that has been used for slurry-ing is toxic and pollutant) and the railroads (which will lose billions in freight revenue), ETSI/Bechtel faces an uphill battle for its proposed pipeline.

ETSI's tactics in the ongoing battle with the rails illustrate the determination and tenacity of its energetic backer, Bechtel. As a first step, Bechtel lobbyists persuaded friends in Congress to introduce legislation that would redefine federal eminent-domain law to give pipelines right-of-way over railroads. No hostile railroad could prevent the ETSI pipeline from being built

over or under its tracks. The Coal Slurry Pipeline Act, containing this giveaway, is now one of the most hotly contested bills on Capitol Hill. Bechtel helped form a front group to lobby for the bill. Ex-Clerk of the House Pat Jennings has been put in charge of maneuvering the bill through the committees.

If the Coal Slurry Act passes (and even its opponents are predicting it will), ETSI/Bechtel will still have to face the farmers and the environmentalists. And, assuming they persuade or defeat these adversaries, they still have to prove to various state and federal agencies that coal slurry is more economical than rail transport. In that effort Bechtel has shown extraordinary *chutzpah*.

The day after ETSI was incorporated, Bechtel wrote an unsolicited letter to the Interior Department's Office of Coal Research proposing to do a study of different coal-transportation methods. Bechtel did not mention its ETSI partnership in the letter. By sane standards, the recipient of a \$418,000 government research contract should have been examined for any possible conflict of interest. Bechtel somehow persuaded the Interior Department to skip that process. Bechtel was granted the contract and promptly began its coal-transportation study. The study concluded that of all possible coal-transportation methods, the most economical was . . . you guessed it—slurry pipelines.

While Bechtel was arriving at its \$418,000, taxpayer-supported pro-slurry conclusion, however, the University of Illinois Center for Advanced Computation Research was also studying the economics of coal transportation. Its research was funded by the National Science Foundation. Rumor had it the Illinois study would conclude that, where railroads existed, transporting coal by rail was far more efficient than building a new slurry pipeline.

Shortly before the study's release, the National Science Foundation issued an unexpected statement disavowing any endorsement of the study it had financed. No reason was given.

#### PAYING THE PIPER

After Congressional hearings on the coal-slurry battle, Bechtel Vice President Jerome Komes commented: "To stay in this game you have to be stubborn as hell, and be willing to spend some money."

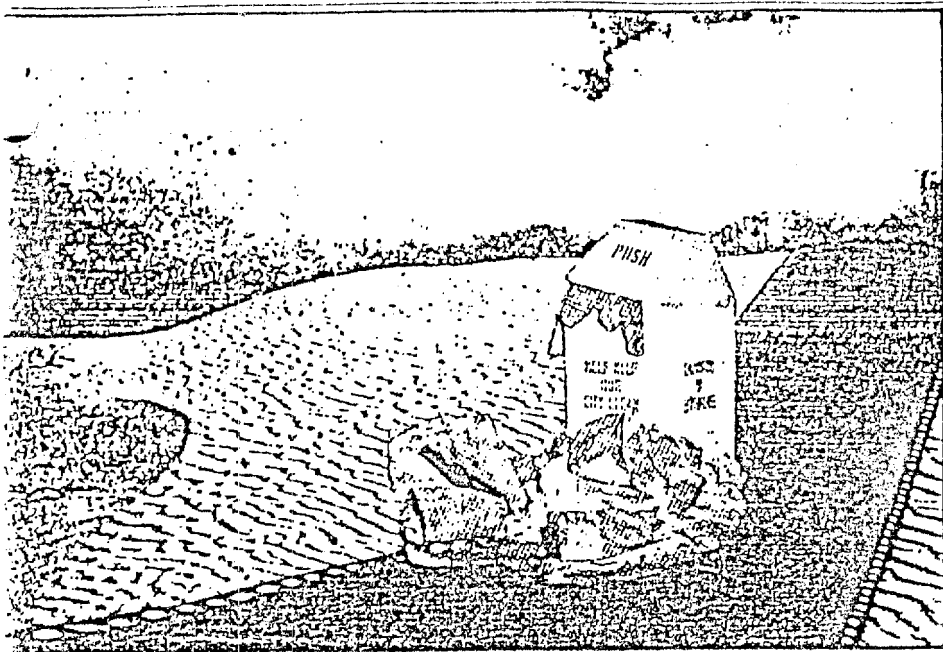


Although many cash-stuffed envelopes have reportedly been passed under tables in Wyoming and South Dakota to smooth the way for coal slurry, it is unlikely that Bechtel people have actually passed any of them. Within the United States, at least, the Bechtel family has a strict policy against cash bribes.

This policy appears to be due less to ethical considerations than to the fact that past cases of bribery have brought the secretive company too much unwanted publicity. In 1972, felony convictions were given to four Bechtel executives who bribed the mayor of Woodbridge, New Jersey, with \$50,000 to gain a pipeline right-of-way through the town to a tank farm Bechtel was building nearby. Bechtel appealed. Its grounds—quite ironically, in view of the company's own abysmal record in hiring women (see box, page 38)—were that the jury selection in Woodbridge discriminated against women because no women were on the jury panel. The Bechtel Four won a new trial but were reconvicted.

These infractions, along with recent publicity surrounding corporate bribery, have made Bechtel more circumspect in its irregular payments.

Perhaps the cleverest cover for questionable payments was devised in 1975, when the "Bechtel" Foundation (whose contributions are tax write-offs) gave a \$100,000 grant to the World Wide Permina Fund. This contribution was the largest single grant made in 1975, and it



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represents about 30 percent of the Bechtel Foundation's total gifts for the year. According to its articles of incorporation, World Wide Permina is chartered to "further the cultural ties between the U.S. and the Republic of Indonesia."

At present, however, the extent of World Wide Permina's activities is providing a scholarship for one Indonesian student in the United States. The only imaginable reason why Bechtel has neglected to expose this obvious rip-off is that World Wide Permina has an interlocking board of directors with Pertamina Corporation, the scandal-ridden Indonesian oil and gas monopoly in which Bechtel owns a major interest. In fact, until he was fired and placed under house arrest for corruption, Pertamina's president, Indonesian General Ibnu Sutowo, also chaired the World Wide Permina Foundation Board. It was under Sutowo that Pertamina negotiated most of its major contracts with Bechtel to build a multi-billion-dollar complex of gas pipelines, liquefaction plants and liquefied-natural-gas ports throughout Indonesia. Since corporate donations to World Wide Permina are co-mingled in the foundation's Bank of America custody account, there is no way of knowing whether Bechtel's \$100,000 ever lined the pockets of General Sutowo. But it certainly hasn't been spent on cultural exchange with Indonesia, and Bechtel knows it.

Although an occasional "grant" can help grease the way to a minor contract or favor, in Bechtel's league, bribes are

a relatively ineffective way of doing business. The company's oil-rich Middle East customers care more about whether or not Bechtel builds in Israel, which it does not, or whether it continues to abide by the Arab boycott of Israel, which, in effect, it does, and for which the Justice Department sued Bechtel in 1975.

Most of the people Bechtel deals with on a decisive basis don't need cash. They need billion-dollar Eximbank financing and friendly U.S. foreign policy. So when George Shultz tells the president of Tai Power Corporation of Taiwan that he can arrange a \$100-million loan guarantee from the Eximbank to finance new nuclear generators, or promises to do what he can to delay the diplomatic recognition of the People's Republic of China for a couple of years, he is offering something that money can't buy and something Taiwan knows he can deliver. So to Bechtel, which could easily dish out Shultz's salary in bribes every year, it made business sense to hire Shultz instead.

#### BURIED IN SAND

Bechtel's phenomenal metamorphosis from muleskinner to sovereign state is not entirely surprising in a country whose economy has become dominated by a handful of multinational corporations. A corporation whose annual sales are often greater than the GNP of the country it is developing is bound at times to seem indistinguishable from a country itself. Dealings at every level

take on an ambassadorial tone: contracts sound like treaties, salesmen act like diplomats and meetings between Steve Bechtel, Jr., and the Chief of State resemble summit conferences.

And like any nation, Bechtel mythologizes its work. With boundless energy, the lovable and imperious Steve Sr. has created an almost evangelistic mystique. His medium is *Bechtel Briefs*, a slick four-color monthly magazine in which T-shirts have been airbrushed on photos of workers and smoke has been removed from photos of exhaust pipes and chimneys. The purity of a fairy-tale workplace is matched by the righteousness of endless morale-building editorials addressed to Bechtel customers, workers and friends around the world. These editorials invariably repeat the Bechtel line: mass technology is salvation for a backward world.

The Bechtels know as well as any multinational executive that their brand of development has failed to meet human needs, that unemployment and poverty have frequently increased in Third World nations invaded by Western technology and that all too often the elite decides to protect its new industries from restive workers and peasants with U.S.-armed military dictatorships.

The villain is not development itself, or technology itself. Rather, it is mass centralized technology that is shaped and installed to meet the needs of Bechtel profits and local elites, rather than that of the population as a whole. Does India, for example, need a nuclear

power plant, or solar-heat collectors in thousands of villages? Does Saudi Arabia need Jubail, or better protection for the way of life of its desert nomads? All too often, the expansion of centralized high technology merely gives added power to a tiny, repressive ruling group. Since 1950, when Bechtel finished the infrastructure of the giant Arabian-

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Christopher Rand, an international-oil-industry consultant, worked for Bechtel for two years as an administrative specialist in the company's international petroleum division. He left Bechtel in 1971 and in 1975 published a book called *Making Democracy Safe for Oil*, an exposé of the oil industry's impact on resource nations. As far back as 1973 Rand was able to see projects like Jubail coming:

"It was a natural culmination of everything Bechtel and Saudi Arabia were doing. Billions of U.S. dollars were piling up in the Saudi treasury. Something had to be done to get that money back into the U.S. The easiest was to convince the Saudis that they could become an important industrial nation and build an infrastructure for them. Well, it's a ridiculous notion. The Saudis do have a tremendous energy base, but that's about the only advantage. There is no economic justification for a petrochemical complex there—particularly one that will generate 6,000 tons of sulphur a day, that in today's market can only be dumped in the desert. There's probably a market for aluminum, but Jubail is not well situated on the world's bauxite shipping routes; and steel? Steel is a farce. There is no rational justification for a steel mill in the Saudi peninsula.

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The memo never clarifies whether the writer means bribes or fines, but the tone suggests that it doesn't really matter. One way or another, compliance with affirmative-action laws is expensive. The memo, summarizing one case of "a paranoiac nut" who complained to the EEOC about Bechtel, reads, "It cost Bechtel a lot of money with the supervisory and employee man-hours spent with the investigators."

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Since the memo was written, five class-action suits have been filed against Bechtel for discrimination against women. But the suit Bechtel is fighting the hardest was brought by Linda Martinez before the memo was written, in August of 1972. *Martinez is no longer a party. Dropped from class.*

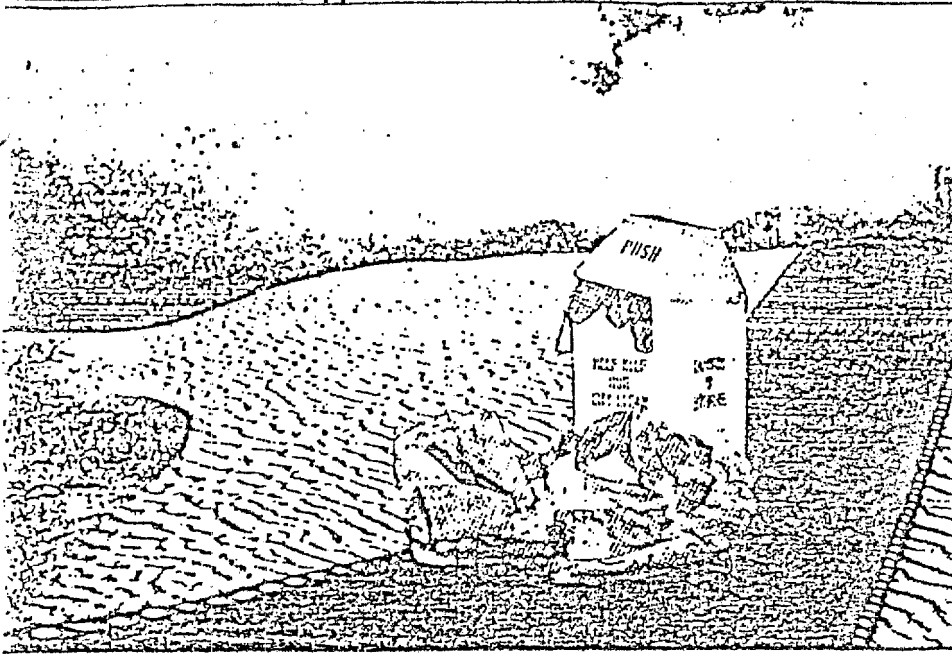
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Approved For Release 2003/04/02 : CIA-RDP91-00901R000100230081-6

P.O. Box 2430  
San Francisco 26, California  
Yukon 6-6652

30 Aug 78

Dear [redacted]

Mother Jones is a locally-produced scandal sheet published by a dissident group. The attachment is an advance copy prior to publication. The article, "The Bechtel File: How the Master Builders Protect Their Beachheads" should be made available to the DDCI in his briefing prior to the 7 Sept 78 appearance before the Porcupine Club in San Francisco. Bechtel's General Counsel, Caspar Weinberger, <sup>who</sup> is mentioned prominently in the article, will be the DDCI's host and perform the introduction at the Porcupine affair here.

Best regards,

[redacted]

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*p 32*

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STATINTL

For the attention of

A rectangular box with a black border, used to redact information from the document.